# Banister Continental Ltd.

Formerly Banister Continental Corporation

# Annual Report 1973

**Cover:** Large diameter pipe lies along a right-of-way during winter construction.

**Below:** Against a backdrop of forest and mountains, Banister crews work on a section of pipeline.

**Notice of Annual Meeting**
The annual meeting of Banister Continental Ltd. (formerly Banister Continental Corporation) will be held at 10 a.m. Tuesday, July 31, 1973, at the Royal York Hotel, 100 Front Street W., Toronto, Ontario.

# Annual Report for the Year Ended March 31, 1973

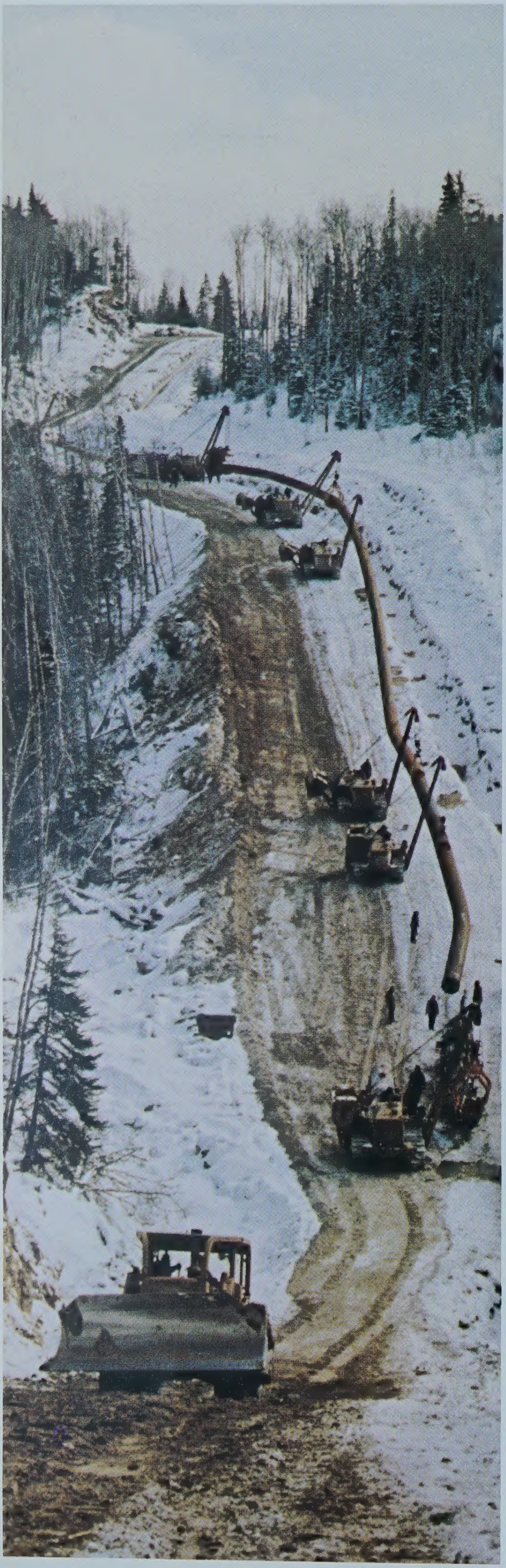
## Financial Highlights

| | Year ended March 31 1973 | 1972 |
|---|---|---|
| Gross Revenue | **$67,199,000** | $47,929,000 |
| Net Income | **8,041,000** | 4,512,000 |
| Earnings Per Share | | |
| Primary | **2.00** | 1.52 |
| Fully Diluted | **1.93** | 1.15 |
| Depreciation | **5,060,000** | 4,328,000 |
| Average Common Shares Outstanding | **3,957,000** | 2,855,000 |
| Shareholders' Equity | **42,541,000** | 33,480,000 |
| Cash and Short-term Deposits | **14,642,000** | 17,872,000 |
| Total Assets | **62,737,000** | 55,741,000 |

## Canadian Reincorporation

Banister Continental Ltd. is the successor to the business of Banister Continental Corporation, which shortly after the end of its March 31, 1973, fiscal year changed its jurisdiction of incorporation from Pennsylvania to Alberta by transferring all its business, subject to all of its liabilities, to Banister Continental Ltd., its wholly-owned Canadian pipeline contracting subsidiary. Because of the reincorporation this report is issued under the name Banister Continental Ltd., although the financial statements and related footnotes are for Banister Continental Corporation as it existed prior to the reincorporation.

**Below:** Lowering in a section of pipe.
**Top right:** Pipe welding.
**Lower right:** Dinner time at base camp.



## To Our Shareholders

Fiscal 1973 was a good year for our company. Revenues were $67,199,000, as compared to $47,929,000 for the previous year. Net income was $8,041,000, compared to $4,512,000 for the previous year.

Primary earnings per share for the year were $2.00 compared to $1.52 a year earlier, based on average common equivalent shares of 4,015,000 and 2,945,000, respectively.

The significant increase in the number of outstanding shares resulted from the conversion of our 6½% Subordinated Convertible Debentures shortly before the end of fiscal 1972. Thus, it is more realistic to examine per share earnings on a fully diluted basis, which, for the year just ended, were $1.93 as compared to $1.15 last year.

Net worth increased to $42.5 million while long-term debt was reduced to $4.4 million. Despite a $4.8 million reduction in debt and a $9 million investment in fixed assets, working capital increased $3 million.

This has been a busy year for our company. Not only did we have a record year but we went through a major corporate reorganization that changed the company's jurisdiction of incorporation to Canada from the United States.

**Pipeline Construction**

During the year we concentrated nearly all of our efforts in large diameter pipeline construction. We laid 430 miles of large diameter cross-country pipeline in Saskatchewan, Manitoba and Ontario. Our crews were in the field throughout the year except for brief periods over Christmas and during spring break-up. Once again large crews of our men were able to work in sub-zero temperatures for extended periods of time with excellent productivity. The knowledge gained in winter work will be valuable to us when anticipated Arctic pipeline construction gets underway.

**Computer Leasing**

Our computer leasing subsidiary performed remarkably well last year in a very difficult environment. Although this business contributed only 9% of total revenues, it generated approximately 30% of our operating cash flow. Revenues were up 4% over the previous year while total expenses remained level, resulting in a 10% pre-tax profit.

As discussed in last year's annual report, we have purchased used IBM 360's and placed them on leases of from two to three years. The continuation of this program has been the major factor in the improved performance, as we are obtaining a higher rate of return on this equipment.

Rental rates on computers generally continue to decline,as anticipated. The following table shows monthly rental revenues as a percentage of the original cost of equipment.

| Year Ended March 31 | Average Monthly Rental Rate |
|---|---|
| 1970 | 1.74% |
| 1971 | 1.69% |
| 1972 | 1.61% |
| 1973 | 1.55% |

To assure ourselves that future rentals will be sufficient to recover all of our estimated operating costs and depreciation each year, we decided to change the amount of depreciation taken annually and to reduce the book value of our computer portfolio to 5% of original cost by March 31, 1978. As a result of this change an additional $800,000 of depreciation was provided during fiscal 1973.

**Directors**

Ronald K. Banister resigned as a director and Chairman of our Board at the year-end. He formed the pipeline company 25 years ago and was the man responsible for causing it to grow from a small oil field construction company in Leduc, Alberta, Canada in 1948 to be one of the largest pipeline construction companies in North America. He will be missed by all of us.

Herbert S. Glick, one of the original members of the Board and a former Chief Executive Officer of our computer leasing company, resigned from our Board as of June 1, 1973. Mr. Glick was a valued member of our management team and we are sorry to see him leave.

Subsequent to year-end, five new members were added to our Board of Directors. They are: R. Bernstein, New York City; N. Fraser, Toronto; A. T. Seedhouse, Toronto; A. M. Shoults, Vancouver; and J. H. Smith, Toronto. All of the present directors of the Company, including these newly elected directors, are candidates for reelection by the stockholders at our annual meeting to be held July 31, 1973.

**Pipeline Projects**

There are three major pipeline construction projects within the general area of our construction capabilities now on the drawing boards in various stages of readiness. The TransAlaska crude oil pipeline from Prudhoe Bay to Valdez, Alaska, has been actively studied by various regulatory authorities and is currently the subject of congressional action. It is conceivable that litigation will further delay this project; however, we believe that the need for this crude oil and its associated natural gas is such that a pipeline will be built.

In Canada there are two major new discovery areas that may have sufficient reserves to justify pipeline transportation of their production to market in the foreseeable future. First, large natural gas discoveries have been made in the Mackenzie Delta area of the Canadian Northwest Territories. A consortium of producing, transporting and marketing companies has been formed to conduct engineering design and feasibility studies. These studies are well underway and it is likely an application for a construction permit will be made to the National Energy Board of Canada within the next year.

**Below:** Carefully controlled blasting loosens rock prior to trenching.

Secondly, substantial quantities of natural gas have been discovered in the Eastern Arctic Islands of Canada. Preliminary engineering work is being conducted by a group of companies interested in transporting this production to market. There are major technological problems to be overcome; however, it would appear that the shortage of cheap alternative sources of energy in North America will provide the motivation to solve these problems.

**The Future**

We have approximately 255 miles of large diameter oil and gas cross-country pipelines under contract at the present time in Alberta, Saskatchewan, Manitoba and Ontario. This will keep our crews substantially occupied until the fall of the year. We don't know what work will be available next winter but it is conceivable that the volume of Canadian pipeline construction activity may temporarily decline and we could experience a slack second half. Major decisions at a national and international level must be made before there will be any major construction from the Mackenzie Delta.

We believe the TransAlaska Pipeline probably will be built, but its commencement date is still not certain. It is possible that work could commence on this major project during 1974, and, if this is the case, we plan to participate.

It is our intention to expand our pipeline activities into the areas of engineering and construction management. We are looking at the various alternatives available to us and as one step in this program we have formed a joint venture with Montreal Engineering Company Limited, one of Canada's largest engineering firms, to provide services to Eastern Arctic pipeline clients. During the current year we anticipate taking additional steps to expand our pipeline activities. The potential for our business is as promising as ever and we are confident that the future will be a rewarding one for our Company.

A. J. Cressey

A. J. Cressey
*President*
June 7, 1973

## Consolidated Statement of Income and Retained Earnings

| | Year ended March 31 1973 | 1972 |
|---|---|---|
| **Revenues** | | |
| Pipeline construction and computer rentals (Note 1) | **$65,950,000** | $47,391,000 |
| Interest and other income | **1,249,000** | 538,000 |
| | **67,199,000** | 47,929,000 |
| **Expenses** | | |
| Operating | **42,237,000** | 29,939,000 |
| Depreciation (Note 1) | **5,060,000** | 4,328,000 |
| Interest and amortization of deferred charges | **515,000** | 1,325,000 |
| Selling, administrative and general | **3,578,000** | 3,204,000 |
| | **51,390,000** | 38,796,000 |
| **Income before income taxes** | **15,809,000** | 9,133,000 |
| Income taxes (Note 1) | | |
| Current | **5,166,000** | 4,975,000 |
| Deferred | **2,602,000** | ( 354,000) |
| | **7,768,000** | 4,621,000 |
| **Net income** | **8,041,000** | 4,512,000 |
| Retained earnings at beginning of year | **7,227,000** | 2,748,000 |
| Dividends on prior preferred stock | **–** | ( 33,000) |
| Retained earnings at end of year | **$15,268,000** | $ 7,227,000 |
| **Earnings per share** (Note 1) | | |
| Primary | **$2.00** | $1.52 |
| Fully diluted | **$1.93** | $1.15 |

See accompanying notes.

## Banister Continental Corporation

## Consolidated Balance Sheet

| Assets | March 31 1973 | March 31 1972 |
|---|---|---|
| Current assets | | |
| Cash and short-term deposits | $14,642,000 | $17,872,000 |
| Receivables | 12,154,000 | 3,841,000 |
| Deferred income taxes (Note 1) | – | 672,000 |
| Other current assets | 478,000 | 443,000 |
| Total current assets | 27,274,000 | 22,828,000 |
| Investment in Bancord, Ltd. (Note 3) | – | 1,057,000 |
| Fixed assets, at cost less accumulated depreciation (Notes 1, 2 and 5) | 28,522,000 | 25,020,000 |
| Excess of cost over net assets at acquisition (Note 1) | 6,496,000 | 6,496,000 |
| Deferred charges and other assets | 445,000 | 340,000 |
| | $62,737,000 | $55,741,000 |

| Liabilities and Shareholders' Equity | 1973 | 1972 |
|---|---|---|
| Current liabilities | | |
| Current installments of long-term debt (Note 8) | $ 1,524,000 | $ 262,000 |
| Accounts payable and accrued liabilities | 7,925,000 | 5,182,000 |
| Estimated taxes on income | 742,000 | 4,592,000 |
| Deferred income taxes (Note 1) | 778,000 | – |
| Deferred revenues (Note 1) | 1,422,000 | 882,000 |
| Total current liabilities | 12,391,000 | 10,918,000 |
| Long-term notes payable (Note 8) | 2,076,000 | 6,890,000 |
| Subordinated convertible debentures (Note 8) | 2,325,000 | 2,325,000 |
| Deferred gain on currency translation (Note 1) | – | 267,000 |
| Deferred income taxes (Note 1) | 3,404,000 | 1,861,000 |
| Total liabilities | 20,196,000 | 22,261,000 |
| Shareholders' equity (Notes 6, 7 and 9) | | |
| Common stock, no par or stated value, authorized 5,000,000 shares; issued 4,051,998 shares in 1973 and 3,920,159 shares in 1972 | 27,277,000 | 26,257,000 |
| Retained earnings | 15,268,000 | 7,227,000 |
| | 42,545,000 | 33,484,000 |
| Less cost of 40,750 shares in treasury | 4,000 | 4,000 |
| Total shareholders' equity | 42,541,000 | 33,480,000 |
| | $62,737,000 | $55,741,000 |

See accompanying notes.

## Banister Continental Corporation

## Consolidated Statement of Changes in Financial Position

| | Year ended March 31 1973 | 1972 |
|---|---|---|
| **Funds provided by** | | |
| Operations | | |
| Net income | **$ 8,041,000** | $ 4,512,000 |
| Add (deduct) non-working capital items | | |
| Depreciation and amortization | **5,111,000** | 4,460,000 |
| Use of tax loss carry forward | **—** | 90,000 |
| Deferred income taxes | **1,543,000** | 615,000 |
| Gain on sale of fixed assets | **( 153,000)** | ( 7,000) |
| Gain on currency translation | **( 267,000)** | — |
| Total provided from operations | **14,275,000** | 9,670,000 |
| Proceeds from sale of fixed assets | **610,000** | 500,000 |
| Additions to long-term notes payable | **—** | 2,460,000 |
| Issuance of common stock upon conversion of debentures and preferred stock | **—** | 12,459,000 |
| Proceeds from exercise of stock options and warrants | **875,000** | 434,000 |
| Sale of investment in Bancord, Ltd. | **1,057,000** | — |
| Tax benefit of non-qualified stock options exercised | **145,000** | — |
| Total funds provided | **16,962,000** | 25,523,000 |
| **Funds used for** | | |
| Additions to fixed assets | **8,976,000** | 3,901,000 |
| Reduction in long-term notes payable and subordinated debentures | **4,814,000** | 3,648,000 |
| Conversion of debentures and preferred stock | **—** | 12,601,000 |
| Investment in Bancord, Ltd. | **—** | 1,057,000 |
| Additions to excess of cost over net assets at acquisition | **—** | 1,860,000 |
| Other — net | **199,000** | ( 105,000) |
| Total funds used | **13,989,000** | 22,962,000 |
| Increase in working capital | **$ 2,973,000** | $ 2,561,000 |

| | 1973 | 1972 |
|---|---|---|
| **Increases (decreases) in working capital by component** | | |
| Cash and short-term deposits | **$ (3,230,000)** | $ 5,487,000 |
| Receivables | **8,313,000** | 785,000 |
| Other current assets | **35,000** | ( 34,000) |
| Current installments of long-term debt | **(1,262,000)** | 3,225,000 |
| Accounts payable and accrued liabilities | **(2,743,000)** | (2,635,000) |
| Estimated taxes on income | **3,850,000** | (4,350,000) |
| Deferred income taxes | **(1,450,000)** | 965,000 |
| Deferred revenues | **( 540,000)** | ( 882,000) |
| Increase in working capital | **$ 2,973,000** | $ 2,561,000 |

See accompanying notes.

Despite sub-zero temperatures and blustery weather, pipelining operations continue.

## Notes to Consolidated Financial Statements

### 1. Accounting policies

Principles of consolidation —

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

All amounts are stated in U.S. dollars. The accounts of the Company's Canadian subsidiary have been translated into U.S. dollars based on (1) the year-end exchange rate for current assets and liabilities, (2) exchange rates in effect at the time of the transaction for non-current assets and liabilities and (3) exchange rates prevailing during the years for revenues and expenses, except for depreciation which has been translated at the rates pertaining to the related fixed assets.

During the year ended March 31, 1973, the Company realized previously deferred currency translation gains which are included in other income. In addition unrealized translation losses at March 31, 1973, have been charged to other income.

It is the Company's intention to reinvest indefinitely the unremitted earnings of its subsidiaries and therefore income taxes have not been provided on such undistributed earnings. Undistributed earnings of $12,390,000 of the Canadian subsidiary were included in consolidated retained earnings at March 31, 1973.

Revenues —

Revenues from pipeline construction are reflected in income on the basis of percentage of completion of individual contracts. Deferred revenues represent amounts billed on contracts in progress in excess of revenues recognized.

Computer leases are accounted for under the operating method, whereby the rental income is recognized ratably over the terms of the leases.

Fixed Assets —

Construction equipment is depreciated on the straight-line method at rates ranging from 10% to 50% after recognition of a 30% salvage value. Depreciation of computer equipment is explained in Note 2. Maintenance and repairs are charged to expense.

Excess of cost over net assets at acquisition —

Excess of cost over net assets at acquisition, which resulted from the fiscal 1969 purchase of the Banister pipeline operations, is not being amortized since the Company does not believe there is any diminution of value. During fiscal 1972, the account was increased by $1,860,000 to reflect additional payments in connection with the Banister acquisition, resulting from fulfillment of earnings requirements.

Income taxes —

Deferred income taxes result from timing differences between financial and tax reporting principally relating to recognition of construction revenues and accelerated depreciation. That portion of deferred income taxes which relates to amounts included in current assets and liabilities is shown as a current asset or current liability.

Investment tax credits are applied as a reduction of federal income taxes as the qualifying assets are placed into service. The deferred income tax provision was reduced by investment tax credits of $177,000 in 1972.

Earnings per share —

Primary earnings per share were computed by dividing net income (after preferred dividends in 1972) by the weighted average number of common and common equivalent shares outstanding during each year reduced by the number of common shares assumed to have been purchased with the proceeds from dilutive options and warrants.

Fully diluted earnings per share were determined on the assumption that the convertible debentures (and preferred stock in 1972) were converted at the beginning of each year and the interest (net of tax) and preferred dividends were added back to net income.

Primary earnings per share for the year ended March 31, 1972 would have been $1.20 if all the debentures and preferred stock converted through March 6, 1972 had been converted on April 1, 1971.

### 2. Computer leasing operations

The computer equipment consists of 69 IBM computer systems, including 66 System/360 computers, and related peripheral equipment, acquired for lease to users. At March 31, 1973, the undepreciated balance (net book value) was $18,236,000, which will be depreciated to estimated salvage value of $1,623,000 by March 31, 1978.

The lease portfolio is composed of leases with initial terms ranging from 12 to 72 months (many of such leases contain non-cancellable periods) and leases on month-to-month renewal. At March 31, 1973, the non-cancellable portions of existing leases provide for future rentals aggregating $5,347,000; 70% during fiscal 1974; 26% during fiscal 1975; and 4% in later periods. Since the non-cancellable unexpired portions of the leases are for less than the remaining estimated useful life of the equipment and provide for payment of less than the undepreciated cost, the Company's ability to recover its investment and make a profit thereon will be dependent upon its ability to extend present leases, remarket, sell or otherwise utilize the equipment on profitable terms.

To date, the Company has kept virtually all of its computer equipment on lease. Through March 31, 1973, the Company had remarketed equipment having an original cost of approximately $16,461,000 and had extended the leases of equipment having an original cost of approximately $10,178,000. Equipment with a net book value of $272,000, representing 1.5% of the computer equipment owned by the Company, was off-rent and uncommitted at March 31, 1973.

Because of recent technological developments including IBM's introduction of "virtual memory" for their System/370 series and substantial deliveries of System/370's, the Company anticipates increasing competition for re-leasing and remarketing the System/360 computers. While the Company anticipates additional decline in rental rates in the future, it is of the opinion that, based on facts presently known (including its experience to date in leasing IBM System/360 computers, anticipated

**Top:** Coating and wrapping prior to lowering pipe into the trench.

**Lower left:** Pipe is bent before sections are welded together.

**Lower right:** Welders at work along pipeline.

growth in the use of computers and the price differentials between the 370 and 360 series), it will be able to compete successfully on a price/performance basis.

The Company performs periodic reviews to ascertain the future economic value of its equipment. At March 31, 1972, as a result of such a review, a write-down of $622,000 was recorded as additional depreciation, to adjust certain equipment to estimated salvage value. At March 31, 1973, additional depreciation of $800,000 was provided to reflect both a reduction in the estimated salvage value of the computer equipment from 10% of original cost to 5% residual value and a change in the amount of depreciation to be allocated by accounting period over the remaining service life of the portfolio. Depreciation for 1973 has been based on the relationship of current revenues to total estimated revenues through March 31, 1978. Based on the current projections, estimated revenues exceed depreciation and estimated marketing and maintenance expense through March 31, 1978.

**3. Investment in Bancord, Ltd.**
In fiscal 1972, the Company purchased unimproved real estate in Florida and transferred this property, as its capital contribution, to a newly formed partnership. On July 15, 1972, the general partner purchased the Company's limited partnership interest at cost plus interest.

**4. Retirement plan costs**
The Company and its subsidiaries maintain retirement plans covering all full-time employees. The Company's policy is to fund retirement costs as accrued and past service costs are amortized over approximately ten years. The annual cost of the retirement plans was approximately $91,000 for 1973, and $86,000 for 1972.

On March 30, 1973, in connection with the reorganization described in Note 9, the parent company's retirement plan was terminated and the assets of the fund were vested with the participants.

**5. Fixed assets**
Fixed assets and related accumulated depreciation (in thousands) are as follows:

| | Cost | Accumulated Depreciation | Net Book Value | |
|---|---|---|---|---|
| | 1973 | 1973 | 1973 | 1972 |
| Construction equipment | $12,703 | $ 3,156 | $ 9,547 | $ 5,835 |
| Computer equipment | 33,153 | 14,917 | 18,236 | 18,449 |
| Other | 1,032 | 293 | 739 | 736 |
| | $46,888 | $18,366 | $28,522 | $25,020 |

**6. Shareholders' equity**
Changes in shares of common stock issued were as follows:

| | |
|---|---|
| Balance at March 31, 1971 — including 52,750 treasury shares | 2,583,157 |
| Conversion of 7,500 shares of convertible prior preferred stock | 150,000 |
| Conversion of 6¼% and 6½% convertible debentures | 1,143,437 |
| Exercise of stock options, not including 2,500 shares from treasury | 41,815 |
| Exercise of warrants, not including 9,500 shares from treasury | 1,750 |
| Balance at March 31, 1972 — including 40,750 treasury shares | 3,920,159 |
| Exercise of warrants | 46,923 |
| Exercise of stock options | 84,916 |
| Balance at March 31, 1973 — including 40,750 treasury shares | 4,051,998 |

Capital increased $12,441,000 in the year ended March 31, 1972, and $875,000 in the year ended March 31, 1973, as a result of the above conversions and exercise of options and warrants. In addition, capital for the year ended March 31, 1973, increased $145,000 for an income tax reduction resulting from exercise of non-qualified stock options subsequent to December 31, 1972.

Of the 948,002 shares of common stock authorized but unissued at March 31, 1973, 190,730 shares were reserved for issuance on conversion of 5½% subordinated convertible debentures at $12.19 per share, adjustable for dilution, and 121,519 shares were reserved for issuance on exercise of employee stock options.

All previously outstanding shares of convertible prior preferred stock were converted into shares of common stock in October, 1971, and the issue was retired.

**7. Stock options**
The Company has four "qualified stock option plans" under which options may be granted to officers and other key employees. The options become exercisable as to 50% of the shares one year after the date of grant and as to the remaining 50% two years after the date of grant or as prescribed by the stock option committee. All options are exercisable at a price approximately equal to the market value of the Company's common stock on the date of grant of such options. All qualified options granted to date expire three to five years after date of grant.

During fiscal 1971, the Company granted non-qualified stock options to purchase 105,000 shares of common stock to two officers. The options were to become exercisable in installments of one-third of the total number of shares subject to each option in fiscal years 1972, 1973 and 1974 and expire in 1977. The options due to become exercisable in June, 1973 were accelerated by the Board of Directors to become exercisable in February, 1973. These options are exercisable at a price of approximately 91% of the market value of the Company's common stock at the date of grant.

Qualified and non-qualified options as to 106,000 shares at prices ranging from $4.50 to $20.50 per share were outstanding at March 31, 1972. No options were granted during the year. Options for 84,916 shares at prices ranging from $4.50 to $20.50 were exercised during the year. Of the options for 21,084 shares outstanding at March 31, 1973, at prices ranging from $5.00 to $20.50, options for 18,334 shares were exercisable at $5.00 per share. At the end of the year, 100,435 shares were available for grant under qualified plans.

**8. Long-term notes payable and subordinated convertible debentures**

Long-term notes payable consist of the following:

| | | March 31 | |
|---|---|---|---|
| | | **1973** | 1972 |
| 7½% | subordinated promissory notes due in equal installments, fiscal years 1974-1978 | **$2,500,000** | $2,500,000 |
| 7½% | subordinated notes payable maturing in 1981, prepaid in May, 1973 | **1,000,000** | 1,000,000 |
| 7¼% | secured notes payable maturing in 1979, prepaid in fiscal 1973 | **—** | 1,670,000 |
| 4% | subordinated note obligation, paid in fiscal 1973 | **—** | 1,860,000 |
| 7¾% | mortgage due 1977 | **100,000** | 122,000 |
| | | **3,600,000** | 7,152,000 |
| | Less current installments | **1,524,000** | 262,000 |
| | | **$2,076,000** | $6,890,000 |

In May, 1973, the Company prepaid the 7½% subordinated notes maturing in 1981; accordingly, these notes have been included with current installments of long-term debt at March 31, 1973.

The Company's obligation to issue $1,860,000 of 4% subordinated notes with mandatory prepayment provisions (required as additional consideration since earnings conditions in the 1969 acquisition of the pipeline operations had been met) was fulfilled by a cash payment of $1,460,000 in September, 1972 and a $400,000 note which was prepaid in March, 1973.

The 5½% subordinated convertible debentures, which mature in 1988, are convertible into 190,730 shares of common stock and require annual sinking fund payments of $233,000 from December, 1979 through 1987. Such payments may be reduced, at the Company's option, by the principal amount of any conversions.

At March 31, 1973, aggregate requirements for the repayment of notes payable and subordinated convertible debentures were as follows: 1974 — $1,524,000; 1975 — $525,000; 1976 — $526,000; 1977 — $525,000; 1978 — $500,000; subsequently — $2,325,000.

**9. Reincorporation in Canada**

On April 2, 1973, pursuant to an Agreement and Plan of Reorganization and Dissolution approved by the Company's shareholders on March 26, 1973, the Company transferred substantially all of its assets and liabilities to its wholly-owned Canadian subsidiary, Banister Continental Ltd., formerly Banister Pipelines Ltd., in exchange for 4,011,248 common shares. The Company distributed to its shareholders one common share of Banister Continental Ltd. in exchange for each share of the Company's common stock then outstanding and the Company is being dissolved.

Immediately after the reincorporation on April 2, 1973, the consolidated shareholders' equity of Banister Continental Ltd., in U.S. dollars, was as follows:

| | |
|---|---|
| Common shares without nominal or par value, authorized 20,000,000 shares; issued and outstanding 4,011,248 shares | $27,294,000 |
| Contributed surplus | 2,857,000 |
| Retained earnings | 12,390,000 |
| | $42,541,000 |

In connection with the reincorporation, estimated expenses related thereto of $225,000 will be charged against contributed surplus during fiscal 1974.

## Report of Certified Public Accountants

The Board of Directors and Stockholders
Banister Continental Ltd.
(formerly Banister Continental Corporation)

We have examined the accompanying consolidated balance sheet of Banister Continental Corporation at March 31, 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Banister Continental Corporation at March 31, 1973 and 1972 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Minneapolis, Minnesota
May 4, 1973

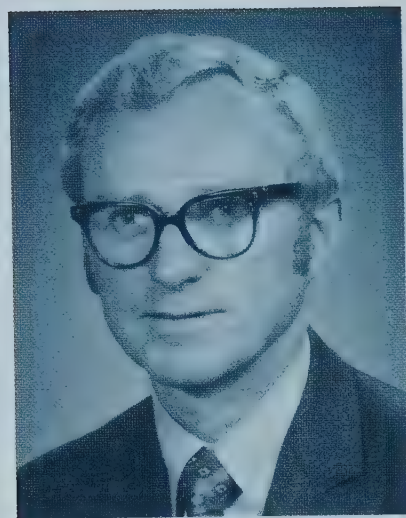
Summer work in Canada.

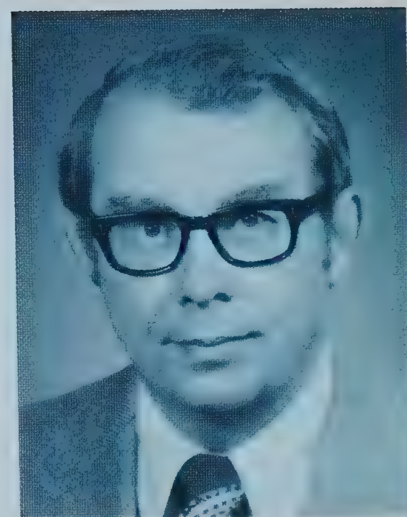
## Five Year Summary for the years ended March 31

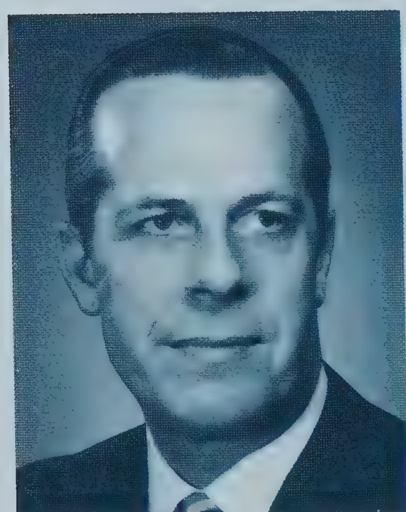
| | |
|---|---|
| Revenues | |
| Expenses | |
| Operating | |
| Depreciation | |
| Interest and amortization of deferred charges | |
| Selling, administrative and general | |
| Total expenses | |
| Income before income taxes | |
| Income taxes | |
| Net income | |
| Earnings per share | |
| Primary | |
| Fully diluted | |
| Average number of shares outstanding | |
| Shareholders' equity | |
| Preferred dividends | |

*The January, 1969, acquisition of the assets and business of Banister Construction (1963) Ltd. and the Banister Corporation has been treated as a "purchase" and accordingly the consolidated financial statements include the results of the Banister operations since their acquisition.
**Note:** The notes to the current year's financial statements are an integral part of this summary.

| | 1973 | 1972 | 1971 | 1970 | 1969* |
|---|---|---|---|---|---|
| | **$67,199,000** | $47,929,000 | $25,005,000 | $26,193,000 | $ 9,234,000 |
| | **42,237,000** | 29,939,000 | 14,766,000 | 16,357,000 | 4,631,000 |
| | **5,060,000** | 4,328,000 | 3,623,000 | 3,403,000 | 1,869,000 |
| | **515,000** | 1,325,000 | 2,239,000 | 2,809,000 | 1,248,000 |
| | **3,578,000** | 3,204,000 | 1,933,000 | 1,770,000 | 824,000 |
| | **51,390,000** | 38,796,000 | 22,561,000 | 24,339,000 | 8,572,000 |
| | **15,809,000** | 9,133,000 | 2,444,000 | 1,854,000 | 662,000 |
| | **7,768,000** | 4,621,000 | 1,191,000 | 849,000 | 203,000 |
| | **$ 8,041,000** | $ 4,512,000 | $ 1,253,000 | $ 1,005,000 | $ 459,000 |
| | **$ 2.00** | $ 1.52 | $ .49 | $ .41 | $ .25 |
| | **$ 1.93** | $ 1.15 | $ .43 | $ .36 | $ .23 |
| | **3,957,000** | 2,855,000 | 2,411,000 | 2,290,000 | 1,614,000 |
| | **$42,541,000** | $33,480,000 | $17,309,000 | $15,003,000 | $ 9,762,000 |
| | — | $ 33,000 | $ 56,000 | $ 56,000 | $ 56,000 |


A. J. Cressey


R. A. Fisher


O. J. Johanson


M. G. Wolpert

# Banister Continental Ltd.

**Board of Directors**

Raphael Bernstein
A. J. Cressey
R. A. Fisher
Norman Fraser

A. T. Seedhouse
A. M. Shoults
Sidney J. Silberman
J. Herbert Smith

**Officers**

A. J. Cressey
*President*
R. A. Fisher
*Executive Vice President*
O. J. Johanson
*Senior Vice President*

H. W. Laslop
*Vice President and Treasurer*
K. H. Lambert
*Vice President Administration*
S. J. Silberman
*Secretary*

**Executive Offices**

Suite 300 Univac Building
55 City Centre Drive
Mississauga, Ontario L5B 1M3

**Subsidiaries & Divisions**

Banister Pipelines
Edmonton, Alberta

O. J. Johanson
*President*

Continental Computer Associates (N.Y.), Inc.
Wyncote, Pennsylvania

M. G. Wolpert
*President*

Banister Pipelines, Inc.
Anchorage, Alaska

A. J. Cressey
*President*

**Registrars and Transfer Agents**

First National City Bank
111 Wall Street
New York, N.Y. 10022

The Canada Trust Company
110 Yonge Street
Toronto, Ontario M5C 1T4

The Canada Trust Company
800 Dorchester Blvd. West
Montreal 101, Quebec

**Common Stock listed on**

American Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

**Independent Public Accountants**

Arthur Young & Company
First National Bank Building
Minneapolis, Minnesota 55402

Clarkson, Gordon & Co.
2400 Three McCauley Plaza
10025 Jasper Avenue
Edmonton, Alberta

Banister Continental Ltd.

Suite 300, Univac Building, 55 City Centre Drive, Mississauga, Ontario L5B 1M3

Printed in Canada

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# Banister Continental Ltd.

Report to shareholders
for the six months ended
September 30, 1973

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# To our shareholders

Revenues for the six months ended September 30, 1973 were $32,942,000, up slightly from last year's total of $32,141,000. Net income for the six months was $3,367,000 compared to $4,077,000 a year ago. Primary earnings per share were 84 cents versus $1.02. Fully diluted earnings per share for the six months were 81 cents and 98 cents for 1973 and 1972 respectively.

In the second quarter, revenues were $17,189,000, down from last year's record volume of $24,897,000. Primary earnings per share were 51 cents on net income of $2,054,000. For the same three months of 1972, primary earnings per share were 79 cents and net income was $3,144,000. Fully diluted earnings per share were 49 cents as compared to 75 cents last year.

The Company's backlog of pipeline construction work was completed during the quarter as anticipated. Since no additional pipeline projects of any magnitude were obtained, revenues were only slightly higher than those experienced in the first quarter and down substantially from the comparable quarter last year.

While we are hopeful that an early start will be made on the Trans-Alaskan pipeline and that the Company will have a significant participation in that line, the immediate outlook for the third quarter is for lower revenues and earnings. The pipeline division is currently preparing bids for two large winter projects in Canada. Bidding is expected to be highly competitive and we have no assurance that we will be successful on either or both of the pending jobs.

Depreciation for the six months was $2,907,000 compared to $1,946,000 a year ago, with most of the increase attributable to the computer leasing subsidiary. The subsidiary increased its revenues about 12% and, despite higher depreciation, operated at a profit.

As indicated to you in our last quarterly report, the Company has been aggressively looking for ways to employ capital and strengthen our position in Canada.

We are pleased to announce that an agreement in principle has been reached with the managements of Upper Canada Resources Limited and Bankeno Mines Limited under which Upper Canada and Bankeno would merge with Banister by statutory amalgamation. After a formal agreement has been negotiated and approved by the respective Boards of Directors, it will be submitted to the shareholders of all three companies and will also require various rulings from regulatory and taxation authorities in Canada and the U.S.A. If all approvals and rulings are obtained, it is expected that the transaction will close on or about March 31, 1974.

The transaction, as presently contemplated, would involve issuing one new Banister share for each outstanding share of Banister, one new Banister share for every five outstanding shares of Upper Canada and one new Banister share for every 2.5 shares of Bankeno. In total, about 1,599,000 shares would be issued for Bankeno (including 414,000 new Banister shares for the 25.9% of the shares owned by Upper Canada) and about 679,000 new Banister shares for Upper Canada excluding the Bankeno holdings. The merged company would have about 6,298,000 shares issued and outstanding upon the close of the transaction, assuming no conversion of the Banister debenture and no exercise of outstanding options.

Upper Canada Resources Limited, through wholly-owned subsidiaries Brinkerhoff Drilling Canada Limited, Becker Drills Limited and the Heath & Sherwood division, is engaged in most facets of the drilling business including drilling oil and gas wells and pile-driving. Upper Canada also has gold properties in Ontario and is presently operating a producing gold mine.

Bankeno is a resource holding company with the majority of its assets located in the Canadian north. Bankeno owns 2.26% of the stock of Panarctic Oils Ltd. and, in addition, owns an interest in over 7,000,000 acres of oil and gas permits in the Canadian Arctic Islands. Bankeno has a 25% equity interest in Arvik Mines Ltd., which owns a zinc-lead mine now under development by Cominco Ltd., on Little Cornwallis the Canadian Arctic. Cominco's 19 annual report refers to Arvik Mines states that a major deposit of at lea 20 million tons of ore with a metal of more than 20 per cent combine and lead has been confirmed, the li the ore body have not been define major extensions can be expected.

A more complete description of companies, together with financial ments, will be contained in the pro material to be sent to all stockhold connection with a special meeting be called to vote on the transactio proxy material will also discuss the for the transaction. Briefly, your m ment feels that a combination of U Canada's oil and gas well drilling c Bankeno's land holdings and Banis financial strength would produce a resource company with substantia for future development, particular of the energy crisis which seems li last for a considerable time.

In addition, since a large major Upper Canada and Bankeno share in Canada by over 6,000 sharehold amalgamation would increase our ownership and help create a broad market for the shares in Canada. M ment believes this should assist us effort to participate in the plannin construction of the proposed Mac Valley gas line and the proposed line from the Canadian Eastern A Islands.

It is our intention to start repo earnings in Canadian dollars. We a that the third quarter report will policy. Any difference between c earnings reported in Canadian do current earnings reported in Unit dollars will not be significant.

Respectfully submitted,

A. J. Cressey
President.

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# Consolidated Balance Sheet

Banister Continental Ltd.

| **Assets** | September 30 (Unaudited) | |
|---|---|---|
| Current Assets | 1973 | 1972 |
| Cash and short-term investments | $10,483,000 | $13,853,000 |
| Receivables | 11,348,000 | 6,468,000 |
| Other current assets | 4,416,000 | 5,472,000 |
| Total current assets | $26,247,000 | $25,793,000 |
| Fixed assets, at cost less accumulated depreciation | $29,885,000 | $26,662,000 |
| Excess of cost over net assets at acquisition | 6,496,000 | 6,496,000 |
| Deferred charges and other assets | 796,000 | 548,000 |
| Total assets | $63,424,000 | $59,499,000 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities | | |
| Current instalments of long-term debt | $ 521,000 | $ 420,000 |
| Accounts payable and accrued liabilities | 5,228,000 | 9,361,000 |
| Deferred income taxes | 4,089,000 | 2,557,000 |
| Total current liabilities | $ 9,838,000 | $12,338,000 |
| Deferred income taxes | $ 4,026,000 | $ 2,778,000 |
| Long-term notes payable | 1,564,000 | 3,589,000 |
| Convertible debentures | 2,325,000 | 2,325,000 |
| Deferred gain on currency translation | – | 292,000 |
| Total liabilities | $17,753,000 | $21,322,000 |
| **Shareholders' Equity** | | |
| Common stock | $27,395,000 | $26,872,000 |
| Contributed surplus | 2,519,000 | – |
| Retained earnings | 15,757,000 | 11,305,000 |
| Total shareholders' equity | $45,671,000 | $38,177,000 |
| Total liabilities and shareholders' equity | $63,424,000 | $59,499,000 |

# Consolidated Statement of Income

Banister Continental Ltd.

| | For the 3 Months ended September 30 (Unaudited-000) | | For the 6 Months ended September 30 (Unaudited-000) | |
|---|---|---|---|---|
| | 1973 | 1972 | 1973 | 1972 |
| **Gross revenue** | | | | |
| Operating income | $16,825 | $24,717 | $ 32,345 | $ 31,483 |
| Other income | 364 | 180 | 597 | 658 |
| | $17,189 | $24,897 | $ 32,942 | 32,141 |
| **Expenses** | | | | |
| Operating | $10,406 | $16,206 | $ 21,028 | $ 19,850 |
| Depreciation | 1,549 | 1,009 | 2,907 | 1,946 |
| Interest and amortization of deferred charges | 85 | 141 | 181 | 278 |
| Selling, administrative and general | 964 | 1,143 | 1,887 | 1,805 |
| | $13,004 | $18,499 | $ 26,003 | $ 23,879 |
| Income before taxes | $ 4,185 | $ 6,398 | $ 6,939 | $ 8,262 |
| Provision for income taxes | 2,131 | 3,254 | 3,572 | 4,185 |
| **Net Income** | $ 2,054 | $ 3,144 | $ 3,367 | $ 4,077 |
| **Net Income Per Common Share** | | | | |
| (Primary) | $ .51 | $ .79 | $ .84 | $ 1.02 |
| (Fully diluted) | $ .49 | $ .75 | $ .81 | $ .98 |
| Average number of common shares outstanding | 4,011 | 3,929 | 4,011 | 3,929 |

## Consolidated Statement of Changes in Financial Position

| | For the 6 Months ended September 30 | |
|---|---|---|
| | 1973 | 1972 |
| **Funds Provided:** | | |
| Net income for the period | $ 3,367,000 | $ 4,077,000 |
| Add — items not requiring an outlay of funds: | | |
| Depreciation and amortization | 2,922,000 | 2,007,000 |
| Other | 281,000 | 810,000 |
| Total funds provided by operations | $ 6,570,000 | $ 6,894,000 |
| Proceeds on disposal of fixed assets | 546,000 | 476,000 |
| Decrease in other assets | 7,000 | 1,074,000 |
| Proceeds from exercise of Stock Options and Warrants | — | 620,000 |
| Total funds provided | $ 7,123,000 | $ 9,064,000 |
| **Funds Applied:** | | |
| Purchase of fixed assets | $ 4,713,000 | $ 3,948,000 |
| Decrease in long-term liabilities | 512,000 | 3,302,000 |
| Other | 372,000 | 269,000 |
| Total funds applied | $ 5,597,000 | $ 7,519,000 |
| Increase in working capital | $ 1,526,000 | $ 1,545,000 |
| Working Capital, beginning of year | $14,883,000 | $11,910,000 |
| Working Capital, end of period | $16,409,000 | $13,455,000 |

**Note 1** Banister Continental Ltd. is the successor to the business of Banister Continental Corporation which, on April 2, 1973, changed its jurisdiction of incorporation from Pennsylvania to Alberta by transferring all of its business, subject to all of its liabilities, to Banister Continental Ltd. The 1972 comparative figures are for Banister Continental Corporation as it existed prior to the reincorporation.

**Note 2** Certain 1972 figures have been reclassified for comparative purposes.

**Note 3** All amounts are stated in U.S. dollars.